

GENERAL COUNSEL'S REPORT

June 24, 2015

C. Natchez Surgery Center, Dickson (Dickson County), TN — CN1002-011

On 5/26/10, the Agency unanimously approved the establishment of an ambulatory surgical treatment center (ASTC) with 3 operating rooms and 3 procedure rooms. Upon approval CN0801-001A was to be surrendered which is for a similar facility at this site. The intent of this application is to change the project's organizational form to permit physician ownership participation. When the 6 new surgical rooms are licensed and operational, Horizon Medical Center will cease to staff 5 of its operating and procedure rooms. The estimated project cost was \$ 13,073,892.00.

On March 23, 2011, the Agency extended the expiration from July 1, 2012 to July 1, 2015 to allow it to be developed simultaneously with the satellite ED facility at Horizon Medical Center's Natchez Medical Park campus; the Agency also approved the request to modify the project by reducing the number of operating rooms from 3 to 2 and procedure rooms from 3 to 1, with a reduction in project cost of \$4,201,823 from \$13,073,892 to \$8,872,069, and a reduction in size from by 4,965 square feet from 15,524 to 10,459 square feet.

TriStar is determining whether to place the surgery center in what is currently shelled space on the 2nd floor of the satellite ED facility or in an adjacent free-standing building.

A 24 month extension is being requested, from 7/1/15 to 7/1/17.

Jerry W. Taylor
jtaylor@burr.com
Direct Dial: (615) 724-3247

511 Union Street
Suite 2300
Nashville, Tennessee 37219

Office (615) 724-3200
Fax (615) 724-3290
Toll-free (866) 489-8542

BURR.COM

May 29, 2015

James B. Christoffersen
General Counsel
Tennessee Health Services and Development Agency
502 Deaderick Street, 9th Floor
Andrew Jackson Building
Nashville, TN 37243-0200

Re: Natchez Surgery Center, CN1002-011AM
Request for Extension

Dear Jim:

This is to request an extension of the above referenced certificate of need from the current expiration date of July 1, 2015 to July 1, 2017. This project is being developed as the second phase of dual projects on the same site, an outpatient satellite campus of TriStar Horizon Medical Center located just off of I-40 in Dickson County. Certificate of Need CN1002-011AM authorized the establishment of an ASTC consisting of two operating rooms and one procedure room. Certificate of Need CN1202-008 authorized the establishment of a free-standing emergency department (FSED) of TriStar Horizon Medical Center. The FSED is nearing completion; it is expected to be completed before the expiration date of July 1, but a 30 day extension of that project is being separately requested as a precautionary measure. The FSED is a two story building. The second floor is currently shelled space. This floor will be built out as either physician office space, or possibly the ASTC.

Although the ASTC was approved prior to the FSED, this CON was previously extended in order for it to be developed simultaneously with the FSED. It was later determined that the most efficient construction model was to simply shell in the second floor space, while the FSED was fully constructed and built out. This was done because it would allow the FSED (first floor) to be completed in a more timely manner than it would if the second floor was simultaneously built out.

Whether the ASTC goes on the second floor of the FSED building, or if it is determined to build the ASTC in an adjacent free-standing building, additional time is needed to complete the project. The time needed to build out the shell space is less than would be required for the construction of the free-standing building, but either can be accomplished in 24 months.


James B. Christoffersen
May 29, 2015
Page 2

Accordingly, a 24 month extension is respectfully requested. It is my understanding the maximum filing fee has already been paid for this project, and therefore no additional fee for the extension is required. If this understanding is incorrect, please let me know and the fee will be promptly submitted.

Please place this on the agenda for the June 24, 2015 meeting. I and other representative of TriStar Horizon Medical Center will be in attendance. Please let me know if you have any questions or if additional information is needed.

Sincerely yours,

Burr & Forman LLP



Jerry W. Taylor

FARRIS MATHEWS BOBANGO PLC

ATTORNEYS AT LAW

Nashville · Memphis

HISTORIC CASTNER-KNOTT BUILDING
618 CHURCH STREET, SUITE 300
NASHVILLE, TENNESSEE 37219

(615) 726-1200 telephone · (615) 726-1776 facsimile

Jerry W. Taylor
jtaylor@farrismathews.com

Direct Dial:
(615) 687-4228

2012 FEB 29 AM 11:50

February 29, 2012

Melanie M. Hill
Executive Director
Tennessee Health Services and Development Agency
Andrew Jackson State Office Building
500 Deaderick Street, Suite 850
Nashville, TN 37243

Re: Natchez Surgery Center, CN1002-011A
Request for CON Modification

Dear Ms. Hill:

Natchez Surgery Center, LLC, an affiliate of Horizon Medical Center through common HCA ownership, respectfully requests a modification of the above referenced certificate of need as specified below. As background, the CON authorizes the establishment of an ASTC with 3 operating rooms (ORs) and 3 procedure rooms (PRs) to be located on Horizon's Natchez Outpatient Campus, approximately 6 miles from Horizon Medical Center's campus in Dickson County.

For the reasons explained below, the following modifications are requested:

1. An extension of the expiration date from July 1, 2012 to July 1, 2015. The justification for the extension to this date is explained below.
2. A reduction in the number of rooms from 3 ORs and 3 PRs to 2 ORs and 1 PR. The CON provides that upon licensure of Natchez Surgery Center, Horizon Medical Center will de-staff 5 of its ORs and PRs, resulting in a net increase of 1 room. We request the number of rooms to be de-staffed likewise be reduced to a total of 2 ORs and PRs, thereby maintaining the net increase of 1 room.

Ms. Melanie Hill
February 29, 2012
Page 2

3. A reduction in the approved project costs from \$13,073,892 to \$8,872,069. A modified Project Costs Chart, as well as a copy fo the original Project Costs Chart are attached.
4. A reduction in approved square footage from approximately 15,424 square feet to approximately 10,459 square feet.

The reasons for the requested modifications are as follows: Natchez Surgery Center calls for the future investment and minority ownership by local physicians. In fact, a group of physicians of Dickson Medical Associates withdrew an application for simultaneous review, and supported this project.

As plans and due diligence to syndicate the ownership interests progressed and economic models were updated, it became apparent that in the then-current state of the economy and in light of certain market realities, the investment by the physicians would be very risky at that time. So, development of the project was delayed as scaled-down models were developed and considered, and the stake-holders awaited prospects for an improved economy. The scaled-down model that has been developed by HCA and approved by the potential future physician investors is reflected in the reductions in scope sought by this modification request. Due to the delays, an extension of the expiration date was necessitated.


In the meantime, Horizon Medical Center has filed a CON application for the establishment of a free-standing emergency department (FSED) of the hospital on the Natchez Outpatient Campus where the ASTC is approved to be located. Economies of scale and other efficiencies will be realized by incorporating the ASTC into the FSED development plan and developing it simultaneously with the FSED if that CON is approved. For this reason, the applicant is requesting an extension of the expiration date of the certificate of need for the ASTC to be concurrent with the anticipated expiration date of the CON for the FSED, again assuming the latter is approved.

Please place this on the agenda for the March, 2012 meeting, and let me know if you have any questions or need additional information. Thank you for your assistance.

Sincerely yours,

FARRIS MATHEWS BOBANGO PLC

By:



Jerry W. Taylor

PROJECT COSTS CHART (MODIFIED)

A. Construction and equipment acquired by purchase:

1. Architectural and Engineering Fees	\$ 387,545.00
2. Legal, Administrative, Consultant Fees	\$30,000
3. Acquisition of Site	\$ -
4. Preparation of Site	\$ 750,000.00
5. Construction Costs	\$ 3,896,772.00
6. Contingency Fund	\$ 630,606.00
7. Fixed Equipment (Not included in Construction Contract)	\$ -
8. Moveable Equipment (List all equipment over \$50,000.00)	\$ 2,768,376.00
9. Other (Specify) <u>IS, telecommunications, cabling</u>	\$ 185,000.00

B. Acquisition by gift donation, or lease:

1. Facility (Inclusive of building and land)	\$ -
2. Building Only	\$ -
3. Land Only	\$ -
4. Equipment (Specify) _____	\$ -
5. Other (Specify) _____	\$ -

C. Financing Costs and Fees:

1. Interim Financing	\$ 223,770.00
2. Underwriting Costs	\$ -
3. Reserve for One Year's Debt Service	\$ -
4. Other (Specify) _____	\$ -

D. Estimated Project Cost
(A+B+C)

\$ 8,872,069.00

E. CON Filing Fee

\$ -

F. Total Estimated Project Cost
(D & E)

\$ 8,872,069.00

TOTAL

\$ 8,872,069.00

PROJECT COSTS CHART -- NATCHEZ AMBULATORY SURGERY CENTER (JV)
(ORIGINAL)

A. Construction and equipment acquired by purchase

1. Architectural and Engineering Fees	\$	277,632
2. Legal, Administrative, Consultant Fees (Excl CON Filing)		50,000
3. Acquisition of Site		0
4. Preparation of Site		0
5. Construction Cost		3,084,800
6. Contingency Fund 10%		308,480
7. Fixed Equipment (Not included in Construction Contract)		3,750,000
8. Moveable Equipment (List all equipment over \$50,000)		
9. Other (Specify) misc. testing, fees		137,968
IS, telecommunications, cabling		290,000

B. Acquisition by gift, donation, or lease:

1. Facility (inclusive of building and land)	FMV lease method	4,950,927
2. Building only 15,424 SF		
3. Land only		
4. Equipment (Specify)		0
5. Other (Specify)		0

C. Financing Costs and Fees:

1. Interim Financing	194,735
2. Underwriting Costs	0
3. Reserve for One Year's Debt Service	0
4. Other (Specify)	0

D. Estimated Project Cost
(A+B+C)

13,044,542

E. CON Filing Fee

29,350

F. Total Estimated Project Cost (D+E)

TOTAL \$ 13,073,892

Capital Costs \$8,122,965
 FMV Factors 4,950,927



STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY

500 Deaderick Street, Suite 850
Nashville, TN 37243
615/741-2364

ANNUAL PROGRESS REPORT
ANNUAL REVIEW FOLLOWING CERTIFICATION

Project Name: NATCHEEZ SURGERY CENTER Certificate of Need #: CN 1002-011
CENTRAL TENNESSEE HOSPITAL CORPORATION

Legal Owner: d/b/a HORIZON MEDICAL CENTER Approval Date: MAY 26, 2010

Expiration Date: _____

Project Description: THE ORIGINAL PROJECT WAS TO BUILD 6 SURGICAL ROOMS, 4 OR'S + 2 PROCEDURE ROOMS. THE PROJECT HAS BEEN DOWN-SIZED TO 2 OR'S AND 1 PROCEDURE ROOM. WE WILL SCHEDULE A MEETING WITH YOUR STAFF TO EXPLAIN THE CHANGES IN DESIGN AND BUDGET.

****PLEASE SUBMIT EVIDENCE TO SUPPORT EACH ANSWER****

In a brief narrative, please describe the current stage of completion for the project (use another sheet of paper if necessary). Please note that this report will not be considered complete without this information.

A. CONSTRUCTION PROJECTS

1. Anticipated date of project completion. TBD. WE WILL BE FILING FOR AN EXTENSION BY DECEMBER.
2. Provide written confirmation from the contractor documenting the stage of construction at the current time.
3. If proposed construction costs have increased over ten (10%) percent please provide information as an attachment to this form. Please note that such an overrun could require additional action before the Agency.

B. NON-CONSTRUCTION PROJECTS

1. Anticipated date of service implementation, acquisition or operation of the facility or equipment as certified.

2. Provide written confirmation from the institutional representative verifying the occupancy/opening date for the service, equipment, or facility.

J. R. Marshall

Signature of Authorized Agent or Chief Operating Officer

10-14-2011

Date

STATE OF TENNESSEE
Health Services and Development Agency



Certificate of Need No. **CN1002-011A** is hereby granted under the provisions of T.C.A. § 68-11-1601, *et seq.*, and rules and regulations issued thereunder by this Agency.

To: Horizon Medical Center
111 Highway 70 East
Dickson, TN 37055

For: Natchez Surgery Center

This Certificate is issued for: The establishment of an ambulatory surgical treatment center (ASTC) with three (3) operating rooms and three (3) procedure rooms. When the six (6) new surgical rooms are licensed and operational, Horizon Medical Center will cease to staff five (5) of its operating and procedure rooms. The net impact of this project will increase Dickson County's total number of staff operating and procedure rooms by one (1) room, from nine (9) to ten (10) total rooms.

Condition: CN0801-001A is to be surrendered.

On the premises located at: 107 Natchez Park Drive
Dickson (Dickson County), TN 37055

For an estimated project cost of: \$13,073,892.00

The Expiration Date for this Certificate of Need is

July 1, 2012

or upon completion of the action for which the Certificate of Need was granted, whichever occurs first. After the expiration date, this Certificate of Need is null and void.

Date Approved: May 26, 2010


Chairman

Date Issued: June 23, 2010


Executive Director